



## ANNUAL REPORT—1931

**JEWEL TEA CO., INC.**  
**JEWEL PARK, BARRINGTON, ILL.**

# JEWEL TEA CO., INC.

GENERAL OFFICES

JEWEL PARK

BARRINGTON, ILLINOIS

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## DIRECTORS:

JOHN M. HANCOCK, *Chairman*

HENRY S. BOWERS

M. H. KARKER

F. M. KASCH

ARTHUR LEHMAN

HAROLD M. LEHMAN

ARTHUR SACHS

H. J. TAYLOR

ROBERT F. WALKER

## OFFICERS:

JOHN M. HANCOCK

*Chairman of the Board of Directors*

M. H. KARKER, *President*

H. J. TAYLOR, *Vice-President*

ROBERT F. WALKER, *Vice-President*

WM. D. SMITH, *Vice-President*

F. M. KASCH, *Treasurer*

J. M. FRIEDLANDER, *Asst. Treas.*

ROBERT W. MUIR, *Secretary*

F. J. LUNDING, *Asst. Secretary*

## TRANSFER AGENT:

IRVING TRUST COMPANY, *1 Wall Street, New York City*

## REGISTRAR:

THE COMMERCIAL NATIONAL BANK & TRUST COMPANY OF NEW YORK  
*66 Wall St., New York City*

## AUDITORS:

TOUCHE, NIVEN & CO., *Public Accountants, New York and Chicago*

# JEWEL TEA CO., INC.

JEWEL PARK

BARRINGTON, ILL.

February 5, 1932

## TO THE STOCKHOLDERS:

**T**HE sixteenth annual report of your company, including the balance sheet for the fiscal year 1931 (ended January 2, 1932) and statements of income and surplus accounts, is presented herewith.

**PROFITS** Net profit for the year — after provision for federal income taxes, depreciation, and reserves — was \$1,363,780.25 or \$4.87 per share, compared with \$1,705,293.63, or \$6.09 per share in the previous year. An extra dividend of 50c per share was paid on December 15, 1931, in addition to the regular dividends of \$1 quarterly, making a total of \$4.50 per share for the year. It has been the policy of the board of directors to pay extra dividends to the extent which earnings and the requirements of the business permit.

**SALES** Total sales amounted to \$13,742,691.46 compared with \$15,521,791.49 in 1930, a decrease of 11.46%. The fiscal year 1931 included fifty-three weeks, the extra week (incident to your company's operation on the thirteen period calendar) being taken up every five or six years in order to keep the company's fiscal year in practical agreement with the calendar year. Excluding sales for the extra week, the decrease is 12.82% under 1930. Selling price reductions caused approximately three-quarters of the decrease in dollar sales, while the remainder is due to a shift from higher to lower priced commodities and smaller tonnage. Coffee tonnage increased 4% while the physical volume of all other groceries decreased. The number of operating units was increased by 54 or 4.22% during the year and, as heretofore, the expense of adding these new routes was charged to current operations. Only a moderate expansion of the business will be attempted in 1932 but the most intensive effort will be made to develop existing routes.

**WORKING CAPITAL** The balance sheet reveals the favorable financial position of your company with net working capital of \$3,561,354.45 and a ratio of current assets to current liabilities of 4.18 to one. Inventories were reduced \$222,203.09 or 17.84% during the year and stand at the lowest figure in the history of your company. Letters of credit, acceptances, and trade accounts payable are also the lowest in the recent history of your company and their combined total is less than that of the cash on hand. Acceptances maturing prior to March 22, 1932 were paid at the year end.

**SURPLUS** Surplus was closed with a balance of \$2,404,356.66. Adjustments from cost to market of owned common stock were charged to surplus and the small balance remaining unexpended from the appropriation for the experimental merchandising of coffee and other products through retail stores was restored to surplus. In the seven years since January 1, 1925 your company has paid \$6,272,607.25 in dividends, which is 65% of total company earnings for that period.

**OPERATING EXPENSE** Expenses have been rigidly controlled and materially reduced. Wage and salary rates were generally maintained. The average number of employees increased from 2,539 in 1930 to 2,612 in 1931, or 2.87%, while the number of operating units increased 4.22%. Total expenses were reduced 10.52%, which is nearly as large as the rate of decrease in dollar sales. Economies extended to every part of the business — from minor stationery purchases to automobile operating costs — and the saving was made notwithstanding the fact that the rates for light, power, telephone, freight, etc., have not come down.

**INVENTORY CONTROL** On account of declining commodity prices and the need for buying ahead, particularly on imported goods, there was need for strict inventory control and commodity markets were carefully followed in order to take full advantage of falling prices. At the end of the year the inventory write-down from cost to market was only \$29,000. This loss is less than 3% of closing inventories and compares with a decrease of 18% in wholesale food prices, indicating care and efficiency in purchasing and inventory control.

**LOSSES** A number of unusual items have been charged against earnings for the year 1931. In addition to the inventory loss of \$29,000, marketable securities and trust fund investments were adjusted from cost to market at a loss of \$197,000. In addition to all losses on customers' accounts, extraordinary bad debt losses and the

total of deposits in or drafts on closed banks, amounting to \$56,000, have also been written off. Although 2,302 or 10.4% of the banks in the United States failed in 1931, only three of the one hundred banks in which your company had deposits closed their doors, although it also held uncollectible drafts on sixty-six other banks which failed. For the first time in three years your company had funds on deposit in a bank which closed. There has already been improvement in the market value of bonds and securities owned by your company but in spite of this they have been stated at the values realizable on January 2, 1932. Some return will also be received on the funds withheld by closed banks.

**RESERVES** Assets have been conservatively valued in every instance and adequate reserves have been provided. Earnings in previous years have been stated after establishing an excess or contingency reserve aggregating \$265,000 at the first of the year 1931 and increased by \$40,000 during the year. Of this sum, \$25,000 has been added to the reserve for automobile accident and fire losses, in order to put your company in position to assume the branch fire risk, and \$280,000 is carried as a reserve for contingencies.

**COMMON STOCK** For the first time common stock held for employees is shown as a separate item and is not included in current assets. On January 2, 1932 your company owned and held 15,982 shares of which 2,498 shares had been subscribed and were being paid for by employees. In the six years that the plan for the sale of common stock to employees has been in operation 15,534 shares have been sold to them. The unusually favorable market has been used to accumulate shares in excess of immediate needs for this purpose.

**LAND** The increase in capital assets during the year includes an eighty acre tract of land adjacent to the plant site in Barrington and a branch building at Louisville, Ky. The plant area and approach landscaping, and the homes development, have been continued at a moderate rate.

**BARRINGTON PLANT** Your company completed its first full year of operations from the Midwest plant and headquarters office and found that savings in production and distribution as a result of concentrating these functions under one roof were greater than those anticipated at the time the project was undertaken. Due to its location and development on a main highway leading into Chicago, the plant also has some publicity and advertising value.

**TAXES** The federal, state, and municipal tax situation continues to be serious. In 1931 your company paid taxes amounting to \$317,000, or approximately \$1.13 per share on the stock outstanding. The reduction in taxes for 1931 compared with 1930 is mainly due to the reduction in federal income tax because of lower earnings and to some reductions in property taxes because of lower commodity values. If the corporation income tax rate is increased by the Congress the total amount of future taxes payable will also be increased.

Many of the states have called special sessions of legislatures and a mass of revenue bills has been introduced in each. If only a small part of these bills is passed there will be a further burden on industry and business which will adversely affect the possibilities of profitable operation. It is significant that the search of legislators is for ways in which to borrow more money or to raise more money by taxation, and not for ways in which to reduce the costs of government. It is imperative that there be substantial reduction in taxation and rigid economy in public expenditure. Stockholders are urged to make their position on this question known to their legislative and executive representatives.

**RESEARCH** In August, 1931 a research department was organized with a vice-president in charge. Research in this business has been carried on for years by the various operating departments but the ever growing need for intensive study of materials and methods made it desirable to concentrate this work under specialized direction. Studies here should be fruitful of profits for shareholders in years to come.

Results of the operation of your company for the year 1931 are satisfactory and the management is grateful to stockholders and employees for their loyal support and effective work.

M. H. KARKER, *President*

*For the Board of Directors:*

JOHN M. HANCOCK, *Chairman*

# JEWEL TEA CO. BALANCE SHEET

## ASSETS

### CURRENT ASSETS:

|  |                        |                       |  |
|--|------------------------|-----------------------|--|
| Cash.....  |                        | \$ 824,949.48         |  |
| Marketable securities at market, which is lower than cost, and interest..... |                        | 2,395,334.26          |  |
| Accounts receivable—   |                        |                       |  |
| Trade customers.....   | \$ 287,269.29          |                       |  |
| Miscellaneous.....   | 86,637.87              |                       |  |
|  | <u>\$ 373,907.16</u>   |                       |  |
| Less reserve for doubtful accounts.....                                      | 84,940.82              | 288,966.34            |  |
| Inventories at cost or market, whichever is lower—                           |                        |                       |  |
| Groceries.....   | \$ 810,272.37          |                       |  |
| Premiums.....  | 212,928.09             | 1,023,200.46          |  |
|  | <u>\$ 1,023,200.46</u> |                       |  |
| Trust fund investments (Surety deposits, per contra).....                    |                        | 148,185.05            |  |
|  |                        | <u>\$4,680,633.19</u> |  |

### COMMON STOCK HELD FOR EMPLOYEES:

|  |  |            |  |
|--|--|------------|--|
| At market, which is lower than cost, less payments thereon.... |  | 471,884.15 |  |
|--|--|------------|--|

### DEFERRED CHARGES:

|   |                      |                   |  |
|---|----------------------|-------------------|--|
| Premiums (at cost) advanced to customers.....   | \$ 921,605.83        |                   |  |
| Less reserve for doubtful accounts.....         | 232,332.55           | \$ 689,273.28     |  |
|   | <u>\$ 689,273.28</u> |                   |  |
| Unexpired insurance, expense supplies, etc..... |                      | 101,562.15        |  |
|   |                      | <u>790,835.43</u> |  |

### CAPITAL ASSETS:

|   |                       |                       |  |
|---|-----------------------|-----------------------|--|
| Land.....   |                       | \$ 464,839.23         |  |
| Buildings.....                                    | \$1,095,988.64        |                       |  |
| Machinery, furniture and fixtures, at plants..... | 492,267.49            |                       |  |
| Delivery and branch equipment.....                | 998,357.01            |                       |  |
|   | <u>\$2,586,613.14</u> |                       |  |
| Less reserve for depreciation.....                | 865,411.48            | 1,721,201.66          |  |
|   |                       | <u>\$2,186,040.18</u> |  |

### GOODWILL.....

\$8,129,397.12

TO THE BOARD OF DIRECTORS, JEWEL TEA CO., INC.

We have examined the books and accounts of Jewel Tea Co., Inc., for the year ending January 29, 1932, and find that the accompanying income and surplus account are in accordance therewith; and exhibit, in connection, the result of operations for the year then ended.

Chicago, Illinois,  
January 29, 1932.

CO., INC.  
JANUARY 2, 1932

LIABILITIES

CURRENT LIABILITIES:

|   |              |                |
|---|--------------|----------------|
| Letters of credit and acceptances .....                   | \$ 64,100.00 |                |
| Accounts payable, trade.....                              | 68,804.13    |                |
| Dividends payable, January 15, 1932 .....                 | 280,000.00   |                |
| Other accounts and wages payable.....                     | 346,099.18   |                |
| Federal income tax, 1931 .....                            | 212,092.78   |                |
| Surety deposits (Trust fund investments, per contra)..... | 148,185.05   |                |
|   |              | \$1,119,281.14 |

RESERVES:

|  |               |            |
|--|---------------|------------|
| For contingencies.....                       | \$ 280,000.00 |            |
| For automobile accident and fire losses..... | 85,759.29     |            |
|  |               | 365,759.29 |

NET WORTH:

|  |                |                |
|--|----------------|----------------|
| Common stock, no par value—                |                |                |
| Authorized.....                            | 300,000 shares |                |
| Unissued.....                              | 20,000 shares  |                |
| Issued and outstanding.....                | 280,000 shares | \$4,240,000.00 |
| Earned surplus, per annexed statement..... | 2,404,356.66   |                |
|  |                | 6,644,356.66   |

CONTINGENT LIABILITY:

|  |              |
|--|--------------|
| Under contracts for coffee not shipped at January 2, 1932..... | \$173,833.60 |
|--|--------------|

\$8,129,397.09

that ended January 2, 1932, and hereby certify that the above balance sheet and accom-  
panying statement is a correct statement of the financial position of the Company at that date and

TOUCHE, NIVEN & CO.  
Public Accountants

# JEWEL TEA CO., INC.

## INCOME AND SURPLUS ACCOUNT

For The Year Ended

JANUARY 2, 1932

|  |                 |               |                        |
|--|-----------------|---------------|------------------------|
| <b>NET SALES</b> .....   |                 |               | <b>\$13,742,691.46</b> |
| <b>DEDUCT:</b>   |                 |               |                        |
| Cost of sales including raw materials, labor,<br>supplies, operating expenses, etc.....  | \$11,886,975.68 |               |                        |
| Provision for depreciation of buildings, machinery,<br>furniture and fixtures, and automobiles.....  | 387,013.37      |               |                        |
| Taxes—Federal and state income, franchise, capital stock, excise, sales, chain<br>store, gasoline, personal property and real estate taxes, and automobile<br>and business licenses..... | 316,609.71      | 12,590,598.76 |                        |
|  |                 |               | <b>\$1,152,092.70</b>  |
| <b>ADD:</b>  |                 |               |                        |
| Other Income:  |                 |               |                        |
| Interest and discount earned.....  | \$ 173,981.73   |               |                        |
| Miscellaneous.....   | 37,705.82       | 211,687.55    |                        |
| <b>NET PROFIT FOR THE YEAR</b> .....   |                 |               | <b>\$1,363,780.25</b>  |
| <b>DEDUCT:</b>   |                 |               |                        |
| Dividends paid on common stock.....(\$4.50 per share).....   | \$1,211,765.25  |               |                        |
| Provision for decline in market value of common stock owned, etc.....  | 67,848.04       | 1,279,613.29  |                        |
|  |                 | \$ 84,166.96  |                        |
| <b>SURPLUS BALANCE, December 27, 1930</b> .....  |                 |               | <b>2,320,189.70</b>    |
| <b>EARNED SURPLUS, January 2, 1932</b> .....   |                 |               | <b>\$2,404,356.66</b>  |

# JEWEL TEA CO., INC.

## TABLE OF COMPARATIVE SALES AND EARNINGS

| Year | Units* | SALES                   |              | EARNINGS   |                                |
|------|--------|-------------------------|--------------|------------|--------------------------------|
|      |        | Weekly Avg.<br>Per Unit | Total        | Amount     | Per Share on<br>Common Stock** |
| 1922 | 994    | \$197.69                | \$10,240,810 | \$ 152,149 | \$ .54                         |
| 1923 | 998    | 241.87                  | 12,554,875   | 624,200    | 2.23                           |
| 1924 | 1,030  | 255.47                  | 13,602,745   | 855,076    | 3.05                           |
| 1925 | 1,059  | 256.33                  | 14,178,478   | 838,947    | 3.00                           |
| 1926 | 1,090  | 260.52                  | 14,568,258   | 1,258,052  | 4.49                           |
| 1927 | 1,096  | 256.07                  | 14,532,336   | 1,261,391  | 4.50                           |
| 1928 | 1,121  | 277.68                  | 15,970,893   | 1,530,888  | 5.47                           |
| 1929 | 1,215  | 274.60                  | 16,844,110   | 1,691,302  | 6.04                           |
| 1930 | 1,280  | 239.66                  | 15,521,791   | 1,705,293  | 6.09                           |
| 1931 | 1,334  | 197.61                  | 13,742,691   | 1,363,780  | 4.87                           |

\*Number of units in operation at end of year.

\*\*Based on 280,000 shares.